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SUBJECT: SLOVENIA STRENGTHENS ECONOMIC TIES WITH RUSSIA

Classified By: COM Thomas B. Robertson for reasons 1.4 (b) and (d)

11. (SBU) Summary Slovenia has long prided itself on its unique relationship with Russia, which lacks most of the political baggage collected by its eastern neighbors during years of Communist repression. While the GOS's policy declaration at the beginning of its mandate in late 2004 specifically focuses on strengthening trans-Atlantic ties, Slovenia is nothing if not a pragmatic country. It sees advantages in keeping communication friendly and commercial lanes open with its large northern neighbor, with which it enjoys a USD 1 billion trade relationship. Slovenia has sent one of its most dynamic and intellectually gifted young diplomats as Ambassador to Moscow and it regularly hosts and sends commercial delegations. Russian business has made inroads into a notoriously xenophobic investment climate in Slovenia. And to seal it all with a bear hug, Prime Minister Jansa will visit Moscow (with a large commercial delegation in tow) at the end of May and meet with President Putin. End Summary.

Raising its Profile

2.(SBU) Slovenia was able to capitalize on the extra exposure it garnered as CiO of the OSCE in 2005 to gain increased access to higher ranks of government in Russia and burnish its image as a reliable political and business partner. Though the GOS tends to leave the big-picture political relationship with Russia in the hands of the EU, the bilateral relationship is comfortable since Slovenia does not tend toward the same visceral negative reactions as some of the other new eastern European members of the EU. The ease of this relationship, however, does not mean Slovenia avoids actions which upset or annoy Russia. Slovenia continues to be very supportive of the struggle for increased freedom and democracy in Russia's immediate neighborhood (Ukraine, Belarus, Georgia etc.) With its EU presidency looming in the first half of 2008, Slovenia is working to maintain the expertise it developed in this region in order to be able to manage this very important foreign policy portfolio down the road.

13. (C) While the GOS is comfortable delegating authority to the EU on big issues with Russia, it is very aware that Russian strategy is to continue to work its bilateral relationships and to keep them strong. The GOS is wary of what it sees as Russian "cherry picking" and attempts to play one EU member off another on certain issues. In a recent conversation at the MFA, a staffer on the Russia desk said

they (and the EU) were keeping an eye on the "Shanghai Corporation" which she described as cooperation between Russia, China and Central Asian republics on various commercial and political initiatives. She described that relationship as a concerted effort to eject American influence from the (Central Asian) region.

Settling the Debt

4.(C) Slovenia and Russia enjoy an active bilateral relationship across a wide spectrum of issues. During his May visit, Prime Minister Jansa will focus heavily on economic and commercial issues. He will be accompanied by the Ministers of Foreign Affairs, Economy, Finance, Education and possibly Defense. On the economic side, Slovenia hopes to clear the USD 130 million debt it holds for Russia, which it inherited from SFR Yugoslavia. Russia has proposed a settlement of the debt which would include giving Slovenia military arms and equipment. The Ministers of Defense and Economics apparently support such an arrangement as long as the arms or equipment are NATO compatible, while the Minister of Finance is decidedly in favor of an all cash settlement. At this point, the GOS has not reached consensus.

Expanding Commercial and Cultural Ties

15. (U) Russia is a significant and growing export market for Slovenia, and 72 Slovenian companies have representation in Russia. In 2004, Slovenia exported USD 520 million to Russia, primarily pharmaceuticals and household white goods. Slovenia imports from Russia totaled USD 392 million, mostly petroleum derivatives and natural gas, from Russia. Both countries would like to expand and diversify their markets. There is a joint Slovenia-Russia commission on trade and economic cooperation which is scheduled to meet during PM Jansa's visit.

16. (U) In addition to the economic/commercial focus of the upcoming PM visit, the two sides will hold discussions on scientific cooperation, agriculture, and banking and financial consulting. The Ministry of Education will be exploring the expansion of educational and cultural exchanges as well. Following the visit of PM Jansa to Moscow, Slovenia will host a large Russian delegation in June to mark the 90th anniversary of the "Russian Chapel," a church constructed by Russian POWs during WWI in the Vrsic pass in Slovenia's harsh and inhospitable Julian Alps.

Comment

16. (C) A member in good standing of both the EU and NATO, Slovenia is not far from its years among the non-aligned and uses its good ties from that era shrewdly to advance its own interests in Europe and beyond. The GOS is currently in the throes of preparing for its turn at the helm of the EU and is strengthening connections now that it will have to rely on in 18 months time. (In addition to Russia, PM Jansa is planning trips to both the UAE (22-26 April) and Bulgaria (May 10)). Slovenia's chairmanship of the OSCE, though not always handled to our complete satisfaction, did demonstrate it has the ability to engage Russia on difficult issues and the inclination to find common ground. Post believes that Slovenia would welcome -- and the USG would benefit from -- increased contacts at higher levels and encourages those traveling to Europe both from the Department and other agencies, to put Ljubljana on their itineraries. The more Slovenia understands of US policy and our goals for a European partnership, the better ally it will be in 2008.
ROBERTSON